

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56008; File No. SR-NSX-2007-07)

July 3, 2007

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to Modify a Rule Relating to Market Data Revenue Credits for Transactions Executed Through NSX BLADE

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 18, 2007, the National Stock Exchange, Inc. (“NSX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change, as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange filed Amendment No. 1 to the proposed rule change on June 29, 2007. The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons and is approving the proposal as modified by Amendment No. 1 on an accelerated basis.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend Exchange Rule 16.2(b) to increase its tape credits from 50 percent to 100 percent of market data revenues generated by transactions in Tape A, Tape B, and Tape C securities and to clarify that the Exchange will not provide any tape credits for market data revenue generated by quotes. The text of the proposed rule change is available at the NSX, the Commission’s Public Reference Room, and <http://www.nsx.com/RulesFilings.asp>.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Exchange Rule 16.2(b) currently provides for a 50 percent transaction credit on revenues generated by transactions in Tape A, Tape B, and Tape C securities, using the Exchange's NSX BLADESM. The credit is allocable to ETP Holders on a pro rata basis based upon Tape A, Tape B, and Tape C revenue generated by an ETP Holder's transactions on the Exchange. The Exchange derives the funds for these credits from payments it receives from the joint industry plans that allocate market data revenues to self-regulatory organizations ("SROs"). Prior to April 1, 2007, the formula to calculate market data revenue was based solely on the trading activity of an SRO. As of April 1, 2007, the market data formulas under the joint industry plans that allocate market data revenues to SROs were changed by Regulation NMS.³ The joint industry plans' formula for market data revenue is now a new two-step process: first, distributable plan market data revenues are allocated among individual securities (symbol-by-symbol); and, second, revenues that are allocated to an individual security are allocated among

³ 17 CFR 242.600 to 242.612. See also Securities Exchange Act Release No. 53829 (May 18, 2006) 71 FR 30038 (May 24, 2006).

the SROs such that 50% of the revenue is attributable to transactions on an SRO and 50% is attributable to certain types of quoting activity on an SRO.⁴

With the instant proposed rule change, the Exchange is proposing that Exchange Rule 16.2(b) be amended to increase from 50% to 100% the percentage of Tape A, Tape B, and Tape C revenue shared with its ETP Holders that is based on reporting transactions in securities on the Exchange. The Exchange is also proposing to clarify explicitly in Exchange Rule 16.2(b) its present practice of not providing any credit to ETP Holders with respect to market data revenue that is based on their reporting quotes of securities in the Exchange's system.

In addition, simultaneous with the implementation of this proposed rule change, the Exchange intends to harmonize its pro rata calculations of its credits to ETP Holders with the new Market Data formula under Regulation NMS to reflect the symbol-by-symbol and other components of the allocation of the Trading Share portion of the formula. Thus, the Exchange will begin providing credits to ETP Holders for market data revenue for transactions executed through the Exchange based on a pro rata distribution of the market data revenue actually generated by such ETP Holder's transactions in individual securities, as opposed to a pro rata distribution of that ETP Holder's total trading activity in a particular tape.

The Exchange has determined that this change is necessary for competitive reasons. The increase of the trade market data revenue credits to 100% will allow the Exchange to offer a more competitive program to its current and potential ETP Holders. The Exchange's retention of

⁴ The Allocation Amendment to the CTA, CQ, and the Nasdaq UTP Plans contains the market data formula respecting quotes. In general, Quote Credits can be earned for each second of time (with a minimum of one second) multiplied by the dollar value of size that an automated best bid or offer is submitted to the plan processors that is equal to the NBBO, provided the quote does not lock or cross a previously displayed automated quotation. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

market data revenue based upon reporting quotes will be included in the Exchange's general operating revenues which are used to fund, among other things, the Exchange's regulatory oversight functions.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it lowers the cost of trading and market data to broker-dealers and the investing public and because it enhances competition in the trading of Tape A, Tape B and Tape C securities.

Beginning with the Exchange's second quarter of 2007, which began April 1st and ends June 30th, the Exchange intends to calculate its quarterly market data credits owed to its ETP Holders in accordance with the proposed rule change.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,⁵ in general, and Section 6(b)(4) of the Act,⁶ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-NSX-2007-07 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NSX-2007-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does

not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NSX-2007-07 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,⁷ and, in particular, with the requirements of Section 6(b) of the Act⁸ and the rules and regulations thereunder. The Commission finds that the Exchange's proposal to increase its tape credits is consistent with Section 6(b)(4) of the Act,⁹ which requires, among other things, that exchanges have an equitable allocation of reasonable dues, fees, and other charges among their members and issuers and other persons using their facilities. The Commission further notes that the Exchange's proposal to harmonize its market data revenue credit program with the new formula under Regulation NMS is consistent with the promotion of a national market system.

The Commission finds good cause, pursuant to Section 19(b)(2)(B) of the Act,¹⁰ for approving the proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof in the Federal Register. The Commission believes that granting accelerated approval would facilitate the undelayed increase in the distribution of the market data

⁷ In approving this rule, the Commission notes that it has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ 15 U.S.C. 78s(b)(2)(B).

revenue to ETP Holders and allow the Exchange to offer a more competitive market data revenue credit program.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act¹¹ that the proposed rule change (SR-NSX-2007-07), as modified by Amendment No. 1, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Florence E. Harmon
Deputy Secretary

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).